

# LESOTHO UPDATE – SPRING 2009

**SUMMARY – SCROLL DOWN FOR FULL STORY**

## TECHNOLOGY & DEVELOPMENT

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## MILLENNIUM CHALLENGE ACCOUNT

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## HEALTHCARE

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## TECHNOLOGY & DEVELOPMENT

## LESOTHO STUDY SHOWS ECONOMIC POTENTIAL OF CELL PHONE ACCESS

Women farmers in three rural farming cooperatives in Lesotho have seen their incomes grow dramatically after they gained access to mobile phones, according to a report of a pilot study released in February by the Regional Hunger and Vulnerability Program (RHVP).

Not only did the farmers use the phones to market their produce, access information on prices and connect to

other farmers and suppliers, they also sold surplus airtime to neighbors and used the profits to purchase more cell phones to expand the project.

The study provides further evidence that the growing penetration of mobile telephony in Africa has extraordinary potential for development. The continent has recently surpassed the United States and Canada with 340 million cell phone users, and is adding another 70 million each year, according to Wireless Intelligence, a market research group.

Given that less than one-fifth of Africans have bank accounts and even fewer have access to computers or the internet, African governments, cell phone companies and the development community are eagerly pursuing the technology to help bridge the digital divide.

The RHVP pilot study began in August 2006 when RHVP, a South Africa-based NGO, gave 10 phones loaded with \$50 of airtime to women in three cooperatives in different agro-ecological zones in Lesotho. Four went to a chicken-farming group in the lowlands area of Maliele, one went to a pig-farming group in the foothill area of Nyakosoba, and five went to a vegetable farming group in Semonkong (the highlands). The intention was that each group would use about \$10 for communication and then sell the remaining \$40 of airtime to community members.

### Benefits

The follow up evaluation in January 2009 showed a host of positive outcomes:

- An increase in communication led to a dramatic drop in travel times and costs in a country where a round trip taxi journey of 160 miles can take 16 hours and cost about \$13.
- Product marketing became much easier as farmers were able to call ahead to the market to obtain pricing information and then to communicate with each other. Cooperatives were also able to maximize their geographical advantage by arranging produce exchanges via cell phone.
- Cooperative members were able to increase their social capital through greater access to networks and expertise. They are now in close communication with the Lesotho Ministry of Agriculture and have become members of the Participatory Ecological Land Use Management (PELUM) network.
- Since the local provider, Vodacom Lesotho, enabled the network facility to transfer airtime from one cell phone to another, the cooperative members have been able to purchase airtime at a discount and then sell it to others at the retail price.

The lowlands cooperative purchased four more cell phones as soon as it made \$100 from airtime profits and distributed them amongst their own groups. There are seven sub-groups in the lowlands cooperative and their ultimate aim is for each group to have five cell phones.

In addition, airtime profits have been used by cooperatives to fund training and attendance at conferences conducted by the Ministry of Trade and Industry, Marketing and Cooperatives.

The Semonkong cooperative used its airtime profits to give a loan to a member who wanted to set up a guesthouse to serve tourists visiting the scenic area. The member is repaying the cooperative at 5% interest, thereby enabling it to give further loans to others wanting to tap into the local tourism industry.

■ Use of the cell phone technology enhanced basic English and mathematical literacy among users with little education. RHVP quoted the head teacher at Bishop Allard Vocational School in Nyakosoba: "Cell phones have enlightened us."

### Wider Implications

RHVP, which also works in Malawi, Mozambique, Swaziland, Zambia and Zimbabwe, reported that the study provided important evidence that the use of cell phones had improved the integration of rural communities into national economies and provided greater access to opportunities for previously underserved people. In addition, it pointed to the potential use of cell phones as a means of delivering cash transfers.

RHVP reported that it was using information gathered from the Lesotho project to support the implementation of innovative delivery systems for money transfers elsewhere in southern Africa:

- Information from the study has helped the Government of Swaziland put out a call for tender for a private sector partner to deliver payments from its state pension scheme.
- In Malawi, RHVP has undertaken a feasibility study on the establishment of a pension program, which includes design and costing of delivery systems such as cell phones.
- In Mozambique, RHVP has worked with the Ministry of Women and Social Action to explore ways to expand its Programa de Subsidio de Alimentario (Food Subsidy Program) and potentially provide payments using cell phones.

"There is considerable scope for imaginative partnerships between governments and the private sector," the

RHVP report stated. "The readiness of Vodacom Lesotho to support this project testifies that there is untapped enthusiasm for mobile telephony service providers to be partners in delivering public services and transfers."

## REGIONAL INTEGRATION

### LESOTHO & SOUTH AFRICA SIGN JOINT INVESTMENT INITIATIVE

The Governments of Lesotho and South Africa announced in April that they have launched a Spatial Development Initiative (SDI) to stimulate economic integration between the two countries and help diversify Lesotho's economy.

Under the initiative, 16 to 20 projects have been identified as having the potential to spur economic development in Lesotho. The projects are in the tourism, transport, property development, services and agribusiness sectors, and may also include wind energy and hydro-energy initiatives.

South Africa has successfully used the concept of SDIs domestically to foster investment in underdeveloped areas that have high populations of vulnerable citizens but also good potential for economic development. All the major projects in an SDI are based on public-private partnerships and rapid planning and delivery.

Lesotho's SDI with South Africa will be overseen by the Joint Bilateral Commission for Cooperation (JBCC), a strategic partnership created in 2001 between the two countries to help Lesotho evolve from the status of a Least Developed Country (LDC) to a Developing Country.

Many of the new projects, particularly in the tourism sector, will be tied to the construction of the Metolong Dam, which is being built as part of the second phase of the Lesotho Highlands Water Project.

Regional SDI program consultant Mr. Mhlangano Maphalala said that implementation of the various projects would be carried out with the collaboration and technical assistance of a number of organs of the South African government, provincial governments and development banks to "enhance the productive capacity of the Lesotho government."

While South Africa will play a critical role in the success of the SDI, said Ms. Fatima Hajaig, South Africa's Deputy Minister of Foreign Affairs, the projects will be implemented by Lesotho. Feasibility studies into the projects will be completed over the next 15 months, after which project investment will be sought.

## MILLENNIUM CHALLENGE ACCOUNT

### A PARTNERSHIP FOR HEALTH IN LESOTHO

The Millennium Challenge Corporation (MCC) has committed \$122 million to support the Government of Lesotho's program to renovate health infrastructure and strengthen the country's health care system.

The funding, part of the \$363 million compact signed between the United States and Lesotho in 2007, will be used to rehabilitate up to 150 existing health centers and 14 district hospital out-patient departments.

Although half of these facilities are owned by private NGOs and the Lesotho Red Cross Society, the government includes them within its web of national health services, and provides them with subsidies and in-kind drugs and pharmaceuticals in exchange for free or low-cost delivery of essential services to pregnant women, infants and those at risk of HIV/AIDS.

Special attention will be paid to strengthening tuberculosis infection control measures, such as including air exchange and separate waiting areas for coughing patients. The MCC funding will also be used to support the government's health decentralization process and will pay for increased training of health care workers. The health component of the compact is a five-way partnership between Lesotho's Ministry of Health, MCC, the US President's Emergency Plan for AIDS Relief (PEPFAR), the National AIDS Commission and the Millennium Challenge Account (MCA)-Lesotho team.

## HEALTHCARE

### PUBLIC-PRIVATE TEAM TO BUILD NEW HOSPITAL

A consortium including the Government of Lesotho, the International Finance Corporation (IFC), the Development Bank of Southern Africa (DBSA) and Netcare, a South African health company, broke ground in March on the

construction of a new state-of-the-art hospital in Maseru.

The 390-bed national referral health facility will replace the aging Queen Elizabeth II hospital and is expected to dramatically improve the quality of medical services in Lesotho.

Netcare, which operates a network of hospitals, clinics and health services in South Africa, will design, build, partially finance and operate the new facility. The project will also include the refurbishment of three clinics around the country.

DBSA has committed more than \$77.6 million to the project and the Government of Lesotho will contribute \$43.8 million.

"This pioneering project provides a new and sustainable model for governments and the private sector to work together in providing better health services for Lesotho and the wider region," said Mr. Laurence Carter, IFC Director for Infrastructure Advisory.

Dr. Mphu Ramatlape, Lesotho's Minister of Health and Social Welfare, said the new hospital would provide improved healthcare for Lesotho's citizens while remaining affordable to ordinary Basotho.

Construction of the hospital is expected to be completed by mid-2011. Refurbishment of the Mabote, Qoaling and Likotsi filter clinics will be completed by the end of 2009.

**PREPARED BY THE WHITAKER GROUP, REGISTERED FOREIGN AGENT FOR LESOTHO**

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# LESOTHO UPDATE

A WHITAKER GROUP PUBLICATION

SEPTEMBER 2008

## OPENING MARKETS

### SACU SIGNS TRADE AGREEMENT WITH US

The Trade Ministers from the five Southern African Customs Union (SACU) nations - Botswana, Lesotho, Namibia, Swaziland and South Africa - signed a historic trade agreement with the United States in July opening the way for an eventual Free Trade Agreement (FTA) between SACU and the US.

The pact, the very first Trade, Investment and Development Cooperation Agreement (TIDCA), is a formal mechanism for the US and SACU to conclude a range of interim trade-related agreements, cooperative work and other trade-enhancing initiatives. It is designed to be a framework for trade and investment promoting activities that could provide the building blocks for the future resumption of FTA negotiations, while allowing the US and SACU to take meaningful interim steps toward improving their trade and investment relationships.

#### Free Trade

Ambassador David Rantekoa, Lesotho's emissary to Washington and a key figure in the negotiations leading up to the agreement, emphasized the importance of the TIDCA to Lesotho. "We believe that if trade is free then there will be trade and investment flows and, in the long term, we will be better off," he said. "But, of course, there are challenges in that, in the short and medium terms, there are measures to be put in place [to protect and prepare economies]."

US trade Representative Susan Schwab said at the signing, "This important agreement will provide a framework for the United States and SACU to work together to create the building blocks that strengthen and deepen our trade ties and that could lead to a free trade agreement in the long term."

"Before we address the issues of the FTA, we are using the new TIDCA to expand market access, strengthen the links between trade and economic development strategies, encourage greater foreign investment, and promote regional economic integration and growth," she added.

The TIDCA will allow the US and SACU to develop work plans on key issues such as sanitary and phytosanitary barriers, technical barriers to trade, trade facilitation and investment promotion that should lead to increased US-SACU trade and investment in the near future.

#### AGOA

SACU is the United States' largest non-oil trading partner in sub-Saharan Africa with bilateral trade in 2007 valued at \$15.8 billion. SACU is also the largest non-oil beneficiary of AGOA, with exports under AGOA valued at \$2.9 billion. Among the goods imported from SACU countries under AGOA are textiles and apparel, automobiles, minerals and metals, diamonds, agricultural products, chemicals, transportation equipment, and footwear.

Lesotho exported over \$443 million in goods to the US in 2007, with textiles and apparel accounting for \$383.6 million and minerals and metals, principally diamonds, accounting for \$52.4 million.



*Lesotho's new Ambassador to Washington. His Excellency David Mohlomi Rantekoa, presented his credentials to President George W. Bush on June 6. For a profile of Ambassador Rantekoa please turn to page 2*

## HEALTH

### LESOTHO TO BE FIRST TO GET FAST MDR-TB TEST

A new test to quickly diagnose multi-drug-resistant forms of tuberculosis (MDR-TB) will be introduced in four African countries this year, with Lesotho being the first, the World Health Organization (WHO) announced in June.

The DNA test takes just hours to detect MDR-TB as compared with two to four months, said Dr. Mario Raviglione, the Director of WHO's tuberculosis program. The slowness of the older test is considered one of the biggest obstacles to treating the disease which in Africa often accompanies HIV/AIDS. "The test is as reliable, if not more reliable, than the conventional test that we have now," said Dr. Karin Weyer, a TB expert who reviews tests for the WTO.

The Stop TB Partnership, created to bring together public and private sector groups to fight TB, said it would train staff and equip laboratories in four African countries, beginning with Lesotho. WHO hopes to introduce the TB test into 16 African countries over the next four years.

Ethiopia, Côte d'Ivoire and the Democratic Republic of the Congo (DRC) will also begin using the \$5 test before the end of the year. The Stop TB Partnership will spend an additional \$15 per person on lab equipment and staff salaries, bringing the total cost to \$20 to test each person, compared with \$34 for older methods.

More than nine million people around the world contract tuberculosis every year. Of those, about 500,000 get MDR-TB, which is immune to two types of antibiotic treatment.

Lesotho has also been awarded \$15 million in fiscal year 2008/2009 under the reauthorization of the President's Emergency Plan for AIDS Relief (PEPFAR). PEPFAR works closely with the Lesotho Ministry of Health and Social Welfare, the National AIDS Commission and other stakeholders to provide integrated prevention, treatment and care programs in the country.



## PROFILE

## AMBASSADOR DAVID MOHLOMI RANTEKOA: CHAMPION OF LESOTHO'S GLOBAL INTERESTS

His Excellency Ambassador David Mohlomi Rantekoa, who in June 2008 presented his credentials as Lesotho's Ambassador to the United States, brings with him more than 30 years of experience as a public servant, trade negotiator, advocate for good governance and strong supporter of private sector-led growth.



*His Excellency Ambassador David Mohlomi Rantekoa*

His arrival comes at a critical time in Lesotho's relationship with Washington as new US-Africa initiatives are developed, bilateral and multilateral trade agreements move forward and as the Mountain Kingdom takes up the challenge of leading the group of 32 Least Developed Countries (LDCs) at the World Trade Organization's (WTO) Doha Round negotiations.

For the past decade, Ambassador Rantekoa has been the Principal Secretary of Lesotho's Ministry of Trade and Industry, and he has taken a lead role in championing Lesotho's economic and trade interests in regional and global trade negotiations with the Southern African Customs Union (SACU), the Southern African Development Community (SADC), the European Union, WTO, the UN Industrial Development Corporation (UNIDO) and the US.

Last February, he chaired a meeting of LDCs that led to the Maseru Declaration outlining the group's objectives for the Doha Round. He helped find common ground between the competing interests of the participating countries and will continue to play a key role as the group presses its position at the WTO in Geneva.

Before joining the Ministry of Trade and Industry in 1995, Ambassador Rantekoa served as Deputy Principal Secretary at the Ministry of Finance where he was involved in the

implementation and coordination of the government's fiscal and monetary policy and oversaw the transfer of government accounts from Standard Chartered Bank to the newly created Central Bank of Lesotho.

During that period, he was seconded to the Lesotho Electricity Corporation (LEC) where, as Managing Director and CEO, he negotiated and signed a power agreement between LEC and the Lesotho Highland Development Authority (LHDA) for the sale of power from LHDA to LEC, thereby ending Lesotho's total dependence on power from ESKOM in South Africa.

The Ambassador has also been a leading proponent of good governance. He was a commissioner on a special Commission of Inquiry that investigated the fraudulent issuance of Lesotho passports to foreign nationals, and, in 1996, he worked in the Government's Cabinet Office where, under the direction of the Government Secretary, he set up a Secretariat to improve Cabinet effectiveness. He was also Deputy Commissioner of Income Tax and Commissioner of Sales Tax before he joined the Ministry of Trade and Industry.

Throughout his career, Ambassador Rantekoa has been deeply involved in most of Lesotho's key public enterprises and companies. He has served on the boards of the Lesotho National Development Corporation (LNDC), Basotho Enterprises Development Corporation (BEDCO), LHDA, Lesotho Flour Mills, Lesotho Sun Hotel, Maseru Sun Hotel, Lesotho Revenue Authority (LRA) and Lesotho National Dairy Board (LNDB).

Asked what his goals are in Washington, the Ambassador replied that he planned to work for the advancement of AGOA and increase Lesotho's utilization of the trade preference program, to facilitate implementation of Lesotho's \$362.5 million Millennium Challenge Compact, to promote Lesotho as the global destination for ethical apparel sourcing and manufacturing, and to create as many opportunities as possible for Lesotho to develop its human capital through training and education.

### SOUTH-SOUTH TRADE

## SACU TO SIGN AGREEMENT WITH MERCOSUR

The five-member Southern African Customs Union (SACU) is to sign a preferential trade agreement (PTA) with South America's Common Market of the South (Mercosur).

The agreement, which comes after 12 rounds of negotiations, encompasses about 1,000 tariff lines for goods to be traded between Botswana, Lesotho, Namibia, South Africa and Swaziland and Mercosur members Argentina, Brazil, Paraguay and Uruguay.

"It is the first trade agreement concluded by SACU as a single entity with another developing region, giving meaning to the objectives of south-south cooperation and integration," a statement issued by SACU's Secretariat asserted.

The two trading blocs are hoping that the PTA will lay the

groundwork for the eventual establishment of a free trade area between SACU and Mercosur nations.

Both of SACU's new trade agreements with the US and Mercosur come at an important time as the Southern African Development Community (SADC) nears agreement on the establishment of a SADC free trade area. Under the new agreement, more than 80% of goods manufactured in any of the 14 SADC countries will be traded within the region duty-free.

SADC is made up of Lesotho, Botswana, South Africa, Namibia, Malawi, Mozambique, Tanzania, Zambia, Zimbabwe, Madagascar, Mauritius, Angola, Swaziland and the Democratic Republic of Congo (DRC).

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## INVESTMENT IN INFRASTRUCTURE

### LESOTHO LAUNCHES PROJECTS FUNDED BY MCC

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## US-LESOTHO TRADE

### US CONGRESS REPEALS RESTRICTIVE PROVISION

The US Congress has repealed the “abundant supply” provision of AGOA that restricted the use by African apparel manufacturers of fabrics from non-AGOA countries. The amendment to AGOA is a welcome change for Lesotho’s apparel sector, as uncertainty created by the abundant supply rule had complicated operations for US apparel retailers sourcing in Lesotho.

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## TOURISM

### NEW EFFORTS TO BENEFIT FROM 2010 WORLD CUP

Lesotho is positioning itself as a major tourism destination for soccer enthusiasts who will descend on South Africa in 2010 for the World Cup.

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## GOVERNANCE

### LESOTHO CLIMBS IN IBRAHIM INDEX

The 2008 Ibrahim Index of African Governance, published in October by the Mo Ibrahim Foundation, has ranked Lesotho as 12th out of 48 sub-Saharan African countries in terms of comprehensive governance performance, representing an improvement over the 2007 index.

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## MINING

### ONE OF WORLD’S LARGEST DIAMONDS FOUND AT LETS’ENG MINE

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The compact program will fund about 17 projects focused on bringing clean and safe water to mainly urban households, increasing the manufacturing sector through a lowlands water project, improving the health infrastructure and services for poor rural communities, and expanding economic activity for private sector development by improving access to finance, especially for women.

Prime Minister Pakalitha Mosisili said the launch marked the day when plans on paper could come to fruition. He called on all those tasked with implementation of the compact to work together to make it a reality in the lives of the ordinary men and women in the villages of Lesotho.

Mr. Mosisili added that Lesotho’s success in implementing large projects in a transparent manner was testimony to its cooperating partners of its capacity and commitment to development.

Ambassador Bill Nolan, the US emissary to Lesotho, described the compact as one of the most ambitious ever signed by

the MCC and said that with its formal implementation Lesotho would be able to focus on the future.

Lesotho was one of only 20 countries worldwide and nine African countries in the first group to be judged eligible in 2004 for funding from the Millennium Challenge Account (MCA). Eligibility is based upon indicators regarding good governance, economic freedom, and a commitment to investing in the nation's people.

The compact earmarks \$64 million to provide essential infrastructure to deliver water to Lesotho's key garment and textile sectors and to provide clean water and sanitation to about 25,000 households. Degraded wetlands will also be restored under the compact and the government will conduct an assessment of national watershed management and wetlands conservation.

Health funding will support Lesotho's programs to rehabilitate or expand out-patient departments in 14 hospitals to accommodate anti-retroviral therapy (ART), improve maternal health and treatment of tuberculosis and other diseases, provide for the renovation of up to 150 health centers, establish new ART clinics, build a new central laboratory and increase nurse training.

The compact's private sector development component aims to improve access to credit, reduce transaction costs and increase the participation of women in the economy. In addition, the funding will support the Government of Lesotho's policy reform program and its initiative to attract foreign investment and stimulate growth of Basotho-owned companies. Project activities also include reforming the civil legal system, developing a land policy and implementing a program to promote gender equality in economic rights.

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The US Congress has repealed the "abundant supply" provision of AGOA that restricted the use by African apparel manufacturers of fabrics from non-AGOA countries. The amendment to AGOA is a welcome change for Lesotho's apparel sector, as uncertainty created by the abundant supply rule had complicated operations for US apparel retailers sourcing in Lesotho.

"The repeal of 'abundant supply' improves the business environment in least developed countries like Lesotho," said Ms. Rosa Whitaker, President and CEO of The Whitaker Group (TWG), following the congressional action in October. "Thanks to the repeal, US retailers such as Gap, Levi-Strauss & Co., Jones Apparel and Russell Athletic may continue to source products from Lesotho with confidence."

The apparel sectors in the 11 other African countries that export to the US will also benefit from the repeal.

Lesotho's Ministry of Trade, Cooperatives and Marketing reported in July that the growth of the apparel sector had also led to growth in related industries, including road freight transportation, passenger transportation, local food services, rental accommodations, and the sale of water, electricity and communications. The apparel sector in Lesotho employed 45,650 people in March 2008, 85% of whom were women.

The Ministry further noted that the Government of Lesotho was in the process of developing a long term strategy to position the apparel sector to remain competitive beyond 2015 when the duty-free access to the US market under AGOA is scheduled to end.

Foreign direct investment (FDI) to Lesotho increased by more than 600% from \$23.6 million in 2000 to \$157.5 million in 2008 largely as a result of the growth of Lesotho's apparel sector after the inception of AGOA in 2000. Lesotho's apparel exports to the US totaled \$380 million in 2007.

## TOURISM

### NEW EFFORTS TO BENEFIT FROM 2010 WORLD CUP

Lesotho is positioning itself as a major tourism destination for soccer enthusiasts who will descend on South Africa in 2010 for the World Cup.

In September, Prime Minister Pakalitha Mosisili opened a luxury lodge in the Ts'ehlanyane National Park, part of a Transfrontier Conservation Area (TFCA) encompassing a protected sub-alpine zone in the Maloti and Drakensberg mountains along the border between Lesotho and South Africa.

The Maliba Mountain Lodge is Lesotho's first five-star mountain retreat and consists of six luxury chalets which open out onto a deck cantilevered above a deep valley forested with indigenous vegetation. The lodge offers a gourmet restaurant, business center with internet access, and a natural pool. Future plans include the creation of the world's highest sub-alpine botanical garden.

Ts'ehlanyane National Park was created by the Lesotho Highlands Development Authority (LHDA) as part of the Lesotho Highlands Water Project (LHWP), which opened up previously inaccessible parts of the country.

In developing the country's water resources, the LHDA also undertook to establish a system of protected areas to preserve biological diversity and cultural sites in the region. The result was the Maloti-Drakensberg Transfrontier Area, which encompasses the Bokong Nature Reserve, the cultural heritage site at Liphofung, containing some of the region's most stunning San rock paintings, and the Ts'ehlanyane National Park, home of rare African alpine tundra.

The Southern African Development Community (SADC) established seven trans-border TFCAs as vehicles to pool marketing, infrastructure development and sustainable investment in important environmental areas.

## GOVERNANCE

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The 2008 Ibrahim Index of African Governance, published in October by the Mo Ibrahim Foundation, has ranked Lesotho as 12th out of 48 sub-Saharan African countries in terms of comprehensive governance performance, representing an improvement over the 2007 index.

According to the index, Lesotho improved by at least two indicators in four out of five categories: participation in human rights; sustainable economic opportunity; human development; and rule of law, transparency and corruption. In the fifth category, safety and security, the country held steady.

Overall, the Ibrahim Index found that two-thirds of African countries improved their governance ratings over the past year.

“Obscured by many of the headlines of the past few months, the real story coming out of Africa is that governance performance across a large majority of African countries is improving,” said Mr. Mo Ibrahim, Founder and Chairman of the Foundation and founder of Celtel International.

The Foundation is an African initiative established to stimulate debate on good governance across Africa, provide objective criteria by which citizens can hold their governments accountable, and recognize achievement in African leadership.

## MINING

### ONE OF WORLD'S LARGEST DIAMONDS FOUND AT LETS'ENG MINE

Miners at Lets'eng Mine have discovered a huge gem stone that may become the largest ever polished round diamond.

The 478-carat stone was uncovered in September and is the 20th largest rough diamond ever found, according to Gem Diamonds, which owns 70% of the mine. The remaining 30% is owned by the Government of Lesotho.

Experts in Antwerp, Belgium, have judged the stone to be of outstanding color and clarity. “It has the potential to yield one of the largest flawless D color round polished diamonds in history,” a company statement said. If the rough diamond is cut into one stone it will be larger than the 105-carat round cut Koh-i-Noor, which is part of the British Crown Jewels.

The finished diamond is expected to sell for more than \$12 million. A similar weight stone of lesser-quality color and clarity recently sold for \$12 million.

Lets'eng Mine is one of the most productive diamond mines in history, yielding four of the world's 20 largest rough diamonds, including the three largest found this century.

“Once again Lets'eng has proved its ability to produce extraordinary diamonds and continues to place Lesotho at the forefront of diamond producing countries,” said the Hon. Monyane Moleki, Lesotho's Minister for Natural Resources.

In August, Lesotho's Department of Mines and Geology announced that the government collected \$3.7 million in diamond export levies covering the period January to May 2008, resulting from the commercial production of 103,144 carats. The two top mines, Lets'eng and Lihobong, employ about 1,335 workers.

In recognition of Lesotho's contributions to the global diamond industry, His Majesty King Letsie III will be the guest of honor at the gala dinner at the Antwerp Diamond Conference to be held in November in Antwerp.

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Lesotho was one of only 20 countries worldwide and nine African countries in the first group to be judged eligible in 2004 for funding from the Millennium Challenge Account (MCA). Eligibility is based upon indicators regarding good governance, economic freedom, and a commitment to investing in the nation's people.

The compact earmarks \$64 million to provide essential infrastructure to deliver water to Lesotho's key garment and textile sectors and to provide clean water and sanitation to about 25,000 households. Degraded wetlands will also be restored under the compact and the government will conduct an assessment of national watershed management and wetlands conservation.

Health funding will support Lesotho's programs to rehabilitate or expand out-patient departments in 14 hospitals to accommodate anti-retroviral therapy (ART), improve maternal health and treatment of tuberculosis and other diseases, provide for the renovation of up to 150 health centers, establish new ART clinics, build a new central laboratory and increase nurse training.

The compact's private sector development component aims to improve access to credit, reduce transaction costs and increase the participation of women in the economy. In addition, the funding will support the Government of Lesotho's policy reform program and its initiative to attract foreign investment and stimulate growth of Basotho-owned companies. Project activities also include reforming the civil legal system, developing a land policy and implementing a program to promote gender equality in economic rights.



*Women are a special focus of the compact. They will benefit from having improved access to clean water, better maternal health programs and improved access to credit.*

## US-LESOTHO TRADE

### US CONGRESS REPEALS RESTRICTIVE PROVISION

The US Congress has repealed the "abundant supply" provision of AGOA that restricted the use by African apparel manufacturers of fabrics from non-AGOA countries. The amendment to AGOA is a welcome change for Lesotho's apparel sector, as uncertainty created by the abundant supply rule had complicated operations for US apparel retailers sourcing in Lesotho.

"The repeal of 'abundant supply' improves the business environment in least developed countries like Lesotho," said Ms. Rosa Whitaker, President and CEO of The Whitaker Group (TWG), following the congressional action in October. "Thanks to the repeal, US retailers such as Gap, Levi-Strauss & Co., Jones Apparel and Russell Athletic may continue to source products from Lesotho with confidence."

The apparel sectors in the 11 other African countries that export to the US will also benefit from the repeal.

Lesotho's Ministry of Trade, Cooperatives and Marketing reported in July that the growth of the apparel sector had also led to growth in related industries, including road freight transportation, passenger transportation, local food services, rental accommodations, and the sale of water, electricity and communications. The apparel sector in Lesotho employed 45,650 people in March 2008, 85% of whom were women.

The Ministry further noted that the Government of Lesotho was in the process of developing a long term strategy to position the apparel sector to remain competitive beyond 2015 when the duty-free access to the US market under AGOA is scheduled to end.

Foreign direct investment (FDI) to Lesotho increased by more than 600% from \$23.6 million in 2000 to \$157.5 million in 2008 largely as a result of the growth of Lesotho's apparel sector after the inception of AGOA in 2000. Lesotho's apparel exports to the US totaled \$380 million in 2007.



## TOURISM

# NEW EFFORTS TO BENEFIT FROM 2010 WORLD CUP

Lesotho is positioning itself as a major tourism destination for soccer enthusiasts who will descend on South Africa in 2010 for the World Cup.

In September, Prime Minister Pakalitha Mosisili opened a luxury lodge in the Ts'ehlanyane National Park, part of a Transfrontier Conservation Area (TFCA) encompassing a protected sub-alpine zone in the Maloti and Drakensberg mountains along the border between Lesotho and South Africa.



*The Maliba Lodge is set in a pristine conservation area*

restaurant, business center with internet access, and a natural pool. Future plans include the creation of the world's highest sub-alpine botanical garden.

Ts'ehlanyane National Park was created by the Lesotho Highlands Development Authority (LHDA) as part of the Lesotho Highlands Water Project (LHWP), which opened up previously inaccessible parts of the country.

In developing the country's water resources, the LHDA also undertook to establish a system of protected areas to preserve biological diversity and cultural sites in the region. The result was the Maloti-Drakensberg Transfrontier Area, which encompasses the Bokong Nature Reserve, the cultural heritage site at Liphofung, containing some of the region's most stunning San rock paintings, and the Ts'ehlanyane National Park, home of rare African alpine tundra.

The Southern African Development Community (SADC) established seven trans-border TFCA's as vehicles to pool marketing, infrastructure development and sustainable investment in important environmental areas.

## GOVERNANCE

# LESOTHO CLIMBS IN IBRAHIM INDEX

The 2008 Ibrahim Index of African Governance, published in October by the Mo Ibrahim Foundation, has ranked Lesotho as 12th out of 48 sub-Saharan African countries in terms of comprehensive governance performance, representing an improvement over the 2007 index.

According to the index, Lesotho improved by at least two indicators in four out of five categories: participation in human rights; sustainable economic opportunity; human development; and rule of law, transparency and corruption. In the fifth category, safety and security, the country held steady.

Overall, the Ibrahim Index found that two-thirds of African countries improved their governance ratings over the past year.

"Obscured by many of the headlines of the past few months, the real story coming out of Africa is that governance performance across a large majority of African countries is improving," said Mr. Mo Ibrahim, Founder and Chairman of the Foundation and founder of Celtel International.

The Foundation is an African initiative established to stimulate debate on good governance across Africa, provide objective criteria by which citizens can hold their governments accountable, and recognize achievement in African leadership.

## MINING

# ONE OF WORLD'S LARGEST DIAMONDS FOUND AT LETS'ENG MINE

Miners at Lets'eng Mine have discovered a huge gem stone that may become the largest ever polished round diamond.

The 478-carat stone was uncovered in September and is the 20th largest rough diamond ever found, according to Gem Diamonds, which owns 70% of the mine. The remaining 30% is owned by the Government of Lesotho.



*The uncut stone*

Experts in Antwerp, Belgium, have judged the stone to be of outstanding color and clarity. "It has the potential to yield one of the largest flawless D color round polished diamonds in history," a company statement said. If the rough diamond is cut into one stone it will be larger than the 105-carat round cut Koh-i-Noor, which is part of the British Crown Jewels.

The finished diamond is expected to sell for more than \$12 million. A similar weight stone of lesser-quality color and clarity recently sold for \$12 million.

Lets'eng Mine is one of the most productive diamond mines in history, yielding four of the world's 20 largest rough diamonds, including the three largest found this century.

"Once again Lets'eng has proved its ability to produce extraordinary diamonds and continues to place Lesotho at the forefront of diamond producing countries," said the Hon. Monyane Moleleki, Lesotho's Minister for Natural Resources.

In August, Lesotho's Department of Mines and Geology announced that the government collected \$3.7 million in diamond export levies covering the period January to May 2008, resulting from the commercial production of 103,144 carats. The two top mines, Lets'eng and Liqhobong, employ about 1,335 workers.

In recognition of Lesotho's contributions to the global diamond industry, His Majesty King Letsie III will be the guest of honor at the gala dinner at the Antwerp Diamond Conference to be held in November in Antwerp.

# LESOTHO UPDATE – WINTER 2008/2009

## SUMMARY – SCROLL DOWN FOR FULL STORY

### INFRASTRUCTURE INVESTMENT

### **AFRICA'S BIGGEST WATER PROJECT TO ENTER SECOND PHASE**

The second phase of the ambitious multi-billion dollar Lesotho Highlands Water Project (LHWP) is set to begin in 2009 with the construction of the Polohali Dam 230 miles north of Maseru and a 20-mile long tunnel connecting the dam to the Katse Reservoir.

### LEADERSHIP

### **LESOTHO'S PRIME MINISTER NAMED VICE CHAIR OF AU**

Prime Minister Pakalitha Mosisili was elected first Vice Chair of the African Union (AU) at the opening of the 12th ordinary session of the AU's Assembly of the Heads of State and Government in Addis Ababa, Ethiopia, in February.

### PUBLIC-PRIVATE PARTNERSHIPS IN HEALTH

### **ALAFA HOLDS HIV/AIDS AWARENESS CAMPAIGN**

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### **LESOTHO PREPARED FOR AFRICAN PEER REVIEW**

Lesotho has completed its national self assessment, the first step in the African Peer Review Mechanism (APRM), the program whereby African states agree voluntarily to be reviewed by member nations of the African Union (AU) on political, economic and corporate governance.

## INFRASTRUCTURE INVESTMENT

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The second phase of the ambitious multi-billion dollar Lesotho Highlands Water Project (LHWP) is set to begin in 2009 with the construction of the Polohali Dam 230 miles north of Maseru and a 20-mile long tunnel connecting the dam to the Katse Reservoir.

The project, of unprecedented scale in Africa, will increase Lesotho's capacity as a regional exporter of water, and will expand the Muela hydropower station in the northern district of Botha-Bothe to generate an additional 100 megawatts of electricity for domestic use. In addition, access roads, feeder roads and bridges will be built and telecommunications and electricity lines upgraded.

The Governments of Lesotho and South Africa decided in December 2008 to proceed with Phase II, estimated at a cost of \$710 million. South Africa's Minister of Water Affairs and Forestry, Mrs. Lindiwe Hendricks, said the new phase was necessary to ensure water security in the Gauteng/Johannesburg area, which is expected to increase its water needs by more than 30% over the next 20 years.

The LHWP is Africa's largest water project, consisting of a system of dams and tunnels to store and transfer water from the catchment area of the Orange River in the highlands of Lesotho over 300 miles to Gauteng, the industrial heartland of South Africa. Over 40% of South Africa's population of 44.3 million live in Gauteng, which accounts for almost 60% of the country's industrial output and 80% of its mining output.

The first phase consisted of two parts. In Phase 1A, completed in 1998, the Katse Dam was built across the Malimbamatso River. In addition, the Matsoku weir and tunnel were constructed to transport water from the Matsoku River to the Katse Reservoir. The 110-megawatt Muela hydroelectric power station was also built along with a 30-mile tunnel between the Katse Reservoir and the power station. A third tunnel was constructed to draw water from Muela and carry it across the Lesotho/South Africa border to be discharged into a tributary of the Vaal River, which accounts for most of Gauteng's water supply.

Phase 1B, completed in 2002, included construction of the Mohale Dam, the highest rock-filled dam in Africa, and a transfer tunnel between Mohale and the Katse Reservoir.

Water is Lesotho's only extractable natural resource, making the LHWP a central part of the country's development strategy. The population of Lesotho uses only about 6% of the available water supplied by ample rainfall.

The entire project, expected to cost \$8 billion by the time it is completed in 2020, has already had an important impact on the country's infrastructure. Hundreds of miles of engineered paved roads have been built to improve access to construction sites, and new unpaved feeder roads and new mountain passes have improved access and communication between villages in the mountainous interior.

Royalties paid by the Government of South Africa have also helped fund development projects in Lesotho and the lengthy construction provides valuable employment to local workers.

In addition, the Lesotho Highland Development Authority (LHDA), the government agency that oversees implementation of the project, has used income from the LHWP to expand Lesotho's tourism industry. Working with partners in South Africa, it has developed the Maloti-Drakensburg Transfrontier Area, which encompasses the Ts'ehlanyane National Park, the Bekong Nature Reserve and a cultural heritage site at Liphofung, containing some of the region's best San rock paintings.

In November 2003, the South African Institute of Civil Engineers named the LHWP "project of the century" for its "immense impact on the betterment of the lives of South Africans and Basotho, the benefits it brought to the economies of both countries, the manner in which the environment impacts were addressed, and the effective and efficient overall management of the project."

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President Moammar Gadhafi of Libya was elected to chair the AU in 2009. He succeeds Tanzanian leader, President Jakaya Kikwete.

The election puts Lesotho in a good position to take over as Chair of the AU in next year's election and contributes further to Lesotho's growing prominence in Africa.

In recent years, Lesotho has established itself as a lead trade negotiator within the Southern African Development Community (SADC) and as the Chair of the 32-member Least Developed Countries (LDC) group at the World Trade Organization (WTO). In February 2008, the LDC group met in Lesotho and signed the Maseru Declaration outlining the LDCs' objectives for the WTO Doha Round.

At the AU summit in February, Prime Minister Mosisili reported on the great strides Lesotho had taken in developing its infrastructure, in particular the development of the country's road and bridge network. Lesotho's Minister of Foreign Affairs, Mr. Mohlabi Tseko, joined with other African ministers to discuss the creation of an African Union Authority as the next step towards regional unity.

Since being elected in 1998, Prime Minister Mosisili has aggressively courted foreign direct investment in Lesotho by instituting business and investment friendly policies. In addition, he has helped establish Lesotho as Africa's top exporter of apparel by vigorously embracing the opportunity presented by the African Growth and Opportunity Act (AGOA) to access the US market.

In 2007, Lesotho exported over \$443 million in goods to the United States, with textiles and apparel accounting for \$383.6 million of that sum. The industry employs about 46,000 Basutho, more than 80% of whom are women.

Under Prime Minister Mosisili, Lesotho was included in the first group of countries to be judged eligible for funds from the US Millennium Challenge Account (MCA), based upon indicators measuring good governance, economic freedom and investment in people. In 2007, Lesotho signed an MCA compact worth \$362.5 million with the US.

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The campaign, which included 12,000 employees at five textile and apparel factories, was focused on encouraging people in the capital, Maseru, to participate in voluntary counseling and testing.

ALAFA partnered with a local organization, People Living with HIV and AIDS, and PSI, a Washington, DC-based non-profit, to support employees from the factories who campaigned in the city center, at bus stops, taxi ranks and ATM machines. They handed out flyers, invited individuals to come in for testing, had video showings and participated in street theater.

By the end of the campaign, participants had distributed more than 100,000 condoms, brought in more than 2,000 people for testing and raised awareness among tens of thousands of Basutho workers.

ALAFA is the leading public-private partnership providing HIV prevention and treatment in Lesotho, where surveys show an infection rate of 43% in the apparel sector. It works with local industry, the Lesotho government, donors, international apparel brands, employee and employer representatives and service providers.

According to ALAFA, 36,000 workers, or 81% of the workforce currently have access to prevention services and 29,000 workers, 64% of the industry's employees, have access to care and treatment. Close to 11,000 employees have been tested and over 2,500 of those who are HIV-positive are receiving anti-retroviral therapy (ART).

## GOVERNANCE

### LESOTHO PREPARED FOR AFRICAN PEER REVIEW

Lesotho has completed its national self assessment, the first step in the African Peer Review Mechanism (APRM), the program whereby African states agree voluntarily to be reviewed by member nations of the African Union (AU) on political, economic and corporate governance.

So far, 29 nations have signed on to the initiative, implemented in 2003 to advance the objectives of the New Partnership for Africa's Development (NEPAD), with nine countries - Algeria, Benin, Burkina Faso, Ghana, Kenya,

Nigeria, Rwanda, South Africa and Uganda - having undergone the full process.

The national self assessment, which the country began in 2007 and completed in January of this year, entailed filling in a detailed questionnaire on the basis of interviews with a wide cross-section of society, including trade unions, women, youth, civil society, the private sector, rural communities and professional associations.

According to APRM National Governing Council Vice Chair, Ms. Itumeleng Kimane, the report showed wide agreement that Lesotho was on the right track with a clear constitution, free primary school education and a "brilliant" poverty reduction strategy.

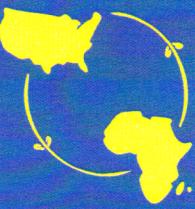
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Lesotho has been commended for voluntarily agreeing to undergo the scrutiny required by the APRM process and for signing on to the good governance principles underlying the process.

A review team made up of representatives from other APRM signatories will visit Lesotho to consult with government officials, political parties, elected representatives and civil society organizations. The team will issue a draft report and recommendations on how Lesotho can address identified challenges. The final report will be presented to the participating Heads of State and Government in the AU.

**PREPARED BY THE WHITAKER GROUP, REGISTERED FOREIGN AGENT FOR LESOTHO**

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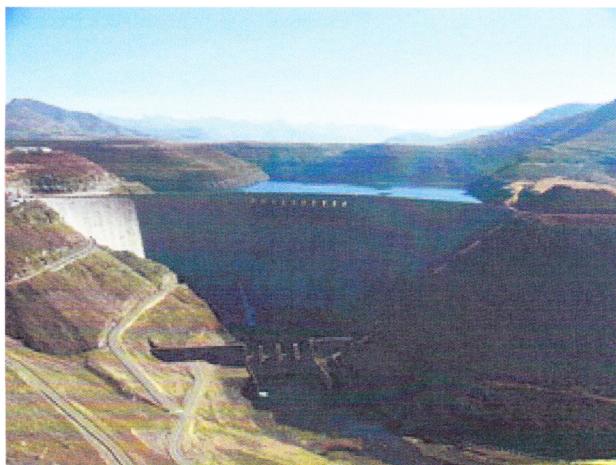
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*Continued on page two*



*The Katse Dam, completed as part of Phase 1 in 1998, is Africa's highest at 607 feet*

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### *LHWP continued from page one*

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